



U.S. SENATE COMMITTEE ON

Finance

SENATOR CHUCK GRASSLEY, OF IOWA - CHAIRMAN

<http://finance.senate.gov>

For Immediate Release

Thursday, May 15, 2003

Grassley Wins Senate Approval of Corporate Crackdown Measure

WASHINGTON – Sen. Chuck Grassley, chairman of the Committee on Finance, today won Senate approval of a measure to prevent companies from seeking tax refunds based on overstated earnings.

“The con men pay a little tax to help hide their fraud, bump up the stock price and cash in their stock options,” Grassley said. “They basically have made the IRS an unwitting accomplice to their fraud. My amendment raises the criminal penalties for tax fraud to the amount of tax at issue in both an overpayment and underpayment. This will ensure that corporate con artists pay their full freight for duping shareholders.”

By unanimous voice vote, the Senate approved Grassley’s amendment to the pending economic growth bill, another Grassley product via the Finance Committee. Final passage of the economic growth bill is expected as early as later today.

The Wall Street Journal reported earlier this month that MCI and the Enron Corp. are in the process of collecting or filing for tax refunds or credits from the Internal Revenue Service because of tax payments on billions of dollars they falsely claimed to have earned. Qwest Communications International Inc., which plans to restate \$2.2 billion in revenue, also is likely to seek a refund, the newspaper reported. HealthSouth Corp., accused of overstating its earnings by more than \$2 billion, said it is considering a refund.

Grassley’s amendment raises the criminal penalties for such tax fraud to the amount of tax at issue in case of overpayment due to misreported earnings. Legally, the penalty can’t be retroactive, so the Grassley proposal is based on a company’s activity after enactment of the tax bill.

“Even though my proposal can’t be retroactive, I don’t intend to stand by and let today’s boardroom con men slink into the shadows untouched,” Grassley said. “I’ll contact the Department of Justice’s Corporate Fraud Task Force to ensure that full and proper attention is given to these cases where payment of taxes was just part of the bag of tricks to fool shareholders. While current law isn’t as strong as I would like, it does provide for three years of jail time for tax fraud.”

Sen. Max Baucus, ranking member of the Finance Committee, won unanimous approval for his amendment to Grassley’s measure. The Baucus amendment would bring criminal tax laws up to

date with the Sarbanes-Oxley Act, the major corporate reform legislation passed last year.

Grassley said he supports the Baucus measure.